

# **Coastal Water Authority**

Financial Report

December 31, 2021

# Coastal Water Authority

Financial Report  
December 31, 2021  
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## Independent Auditor's Report

To the Board of Directors of  
Coastal Water Authority

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Coastal Water Authority (CWA), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise CWA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CWA, as of December 31, 2021, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CWA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

CWA's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CWA's ability to continue as a going concern for one year after the date that the financial statements are issued (or when applicable, one year after the date that the financial statements are available to be issued).

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Weaver and Tidwell, L.L.P.  
24 Greenway Plaza, Suite 1800 / Houston, Texas 77046  
Main: 713.850.8787

The Board of Directors of  
Coastal Water Authority

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CWA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CWA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information included in Supplemental Schedules I, II and III, as listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the financial statements.

The information in Supplemental Schedules I and II is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information in Supplemental Schedules I and II has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in Supplemental Schedules I and II is fairly stated in all material respects in relation to the financial statements as a whole.

The Board of Directors of  
Coastal Water Authority

***Other Information***

Management is responsible for the other information included in the annual financial report. The other information comprises Supplemental Schedule III, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Houston, Texas  
April 13, 2022

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## Management's Discussion and Analysis

As management of Coastal Water Authority (CWA), we offer readers of CWA's financial statements this narrative overview and analysis of the financial activities of CWA for the fiscal year ended December 31, 2021. Please read this discussion and analysis in conjunction with CWA's basic financial statements which follow this section.

### Financial Highlights

- The assets and deferred outflows of resources of CWA exceed its liabilities at the close of the most recent fiscal year by \$247 million.
- CWA's total net position increased by \$2.7 million. This increase is primarily the result of the contributions by the City of Houston (the City). The City subsidizes certain expenses; however, these reimbursements are based on cash basis expenditures, and therefore, the effects of accrual items and non-cash expenses such as depreciation are not matched with cash amounts.
- Revenues decreased by \$2.3 million.
- Expenses decreased by \$0.4 million.
- Construction in progress decreased by \$3.4 million.
- Long-term liabilities decreased by \$0.9 million is mostly due to the payment and amortization of debt of \$8.2 million and an increase in interest payable of \$7.7 million.

### Overview of the Financial Statements

The financial section of this annual report consists of two major parts: Management's Discussion and Analysis (unaudited) and the basic financial statements.

The financial statements provide both long-term and short-term information about CWA's financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

CWA's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units on an accrual basis. Under this, revenues are recognized in the period in which they are earned, and expenses are recognized in the period which they are incurred.

The Statement of Net Position includes all assets and liabilities associated with the operations of CWA. The Statement of Revenues, Expenses and Changes in Fund Net Position (Equity) reports CWA's net position and how it has changed. Net position is the difference between the sum of CWA's assets and any deferred outflows of resources and the sum of liabilities and any deferred inflows of resources.

## Financial Analysis of CWA

Coastal Water Authority's Net Position – Table 1

	2021	2020	Change
Current assets	\$ 105,685,401	\$ 116,044,432	\$ (10,359,031)
Capital assets, net	539,818,277	537,865,906	1,952,371
Other noncurrent assets	70,228,845	63,280,869	6,947,976
<b>Total assets</b>	<b>715,732,523</b>	<b>717,191,207</b>	<b>(1,458,684)</b>
Total deferred outflows of resources	63,475	68,371	(4,896)
Current liabilities	13,018,123	16,030,073	(3,011,950)
Long-term liabilities	456,239,872	457,349,299	(1,109,427)
<b>Total liabilities</b>	<b>469,257,995</b>	<b>473,379,372</b>	<b>(4,121,377)</b>
Net position:			
Net investment in capital assets	195,634,359	192,604,868	3,029,491
Restricted	20,043,347	20,331,107	(287,760)
Unrestricted	30,860,297	30,944,231	(83,934)
<b>Total net position</b>	<b>\$ 246,538,003</b>	<b>\$ 243,880,206</b>	<b>\$ 2,657,797</b>

At December 31, 2021, the decrease in current assets is primarily related to the decrease in cash and investments resulting from capital project acquisitions related to the ongoing Luce Bayou Interbasin Transfer Project (Luce Bayou Project). The increase in other noncurrent assets is due to an increase in long-term interest receivables from the City for the Luce Bayou Project. The decrease in long-term liabilities is primarily related to a reduction in retainage payable and scheduled debt payments during the year.

Net position may, over time, serve as a useful indicator of a government's financial position. In the case of CWA, assets plus deferred outflows of resources exceeded the liabilities and any deferred inflows of resources by \$247 million at the close of 2021. By far the largest portion of CWA's net position (79%) reflects its investment in capital assets (e.g. land, water systems, vehicles, equipment and construction in progress). CWA utilizes these assets to deliver surface water (river water) to its end users, the City and its contracted water customers.

The ratio of current assets to cover current liabilities is a strong indicator of an ability to manage day-to-day expenses. As of December 31, 2021, that ratio was approximately 8:1. The ratio of total assets to total liabilities, in the absence of any deferred outflows and deferred inflows of resources, was approximately 1.5:1. These strong ratios reflect CWA's stable financial condition both in the short-term as well as in the long-term outlook.

## Coastal Water Authority's Change in Net Position – Table 2

	2021	2020	Change
Total operating revenues	\$ 28,841,676	\$ 31,102,560	\$ (2,260,884)
Total operating expenses	(36,353,443)	(36,769,276)	415,833
Total non-operating revenues (expenses)	(12,981,827)	(12,881,855)	(99,972)
Excess (deficiency) of revenues over (under) expenses	(20,493,594)	(18,548,571)	(1,945,023)
Capital contributions	23,151,391	23,182,922	(31,531)
Change in net position	2,657,797	4,634,351	(1,976,554)
Net position beginning of year	243,880,206	239,245,855	4,634,351
<b>Net position at end of year</b>	<b>\$ 246,538,003</b>	<b>\$ 243,880,206</b>	<b>\$ 2,657,797</b>

During 2021, the decrease in operating revenues is due to a decrease in water usage for the City of Houston. The increase in operating expenses is due to an increase in contract labor and equipment expense not considered capital projects. The decrease in non-operating revenue is due mostly to a decrease in investment income. Contributions provided by the City for debt service payments made on CWA's behalf by the City did not change significantly.

### Capital Assets and Debt Administration

**Capital assets:** CWA's capital assets as of December 31, 2021, totaled \$540 million (net of accumulated depreciation). Capital assets include land, intangibles, water systems, vehicles, equipment, other, and construction in progress. Major capital asset events during the year included the following:

- Approximately \$8 million increase in construction on Luce Bayou Project new water systems.

Additional information on CWA's capital assets can be found in Note 8.

**Long-term debt:** At the end of 2021, CWA had total long-term debt outstanding of \$403 million. A portion (\$52 million) of this amount is backed by the Trinity River Projects Contract with the City. The bonds are secured by a first lien on, and a pledge of gross revenues of, the City's water and wastewater systems. The remaining \$351 million is backed by the Luce Bayou Project with the City. These bonds (loans) are secured by a pledge on the City's Combined Utility Systems Fund.

### Outstanding Debt at Year-End – Bonds and Loans Payable

	2021	2020	Change
Revenue and refunding bonds (net)	\$ 98,706,693	\$ 106,953,661	\$ (8,246,968)
Long-term loans (TWDB)	304,574,000	304,574,000	-
<b>Balance at end of year</b>	<b>\$ 403,280,693</b>	<b>\$ 411,527,661</b>	<b>\$ (8,246,968)</b>

Additional information on CWA's long-term debt can be found beginning with Note 9.

## **Economic Factors and Next Year's Budget and Rates**

The demand for water delivered by the Coastal Water Authority has remained steady during the past few years and is expected to continue at the current rate for the next year.

CWA is in the final stages of the construction of a second Trinity River Conveyance System (the Luce Bayou Interbasin Transfer Project) that is scheduled to be completed in 2022. This will provide additional surface water for portions of the Houston regional area that are required to reduce their reliance on ground water sources.

## **Request for Information**

The financial report is designed to provide our residents, customers, investors and creditors with a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Coastal Water Authority, 1801 Main Street, Suite 800, Houston, Texas 77002.

# Basic Financial Statements

# Coastal Water Authority

## Statement of Net Position

December 31, 2021

### ASSETS

#### Current assets - unrestricted:

Cash and cash equivalents	\$ 20,942,578
Investments	1,189,324
Receivables:	
Accounts receivable from City of Houston	6,739,158
Accounts receivable from other customers	919,429
Compensable absences current portion	130,346
Current portion loan receivable from City of Houston	644,209
	<hr/>
Total receivables	8,433,142
	<hr/>
Total current assets - unrestricted	30,565,044

#### Current assets - restricted:

Cash and cash equivalents - restricted for contingencies	3,097
Cash and cash equivalents - restricted for debt service	4,695,600
Cash and cash equivalents - restricted for capital projects	61,776,576
Investments - restricted for contingencies	4,997,158
Investments - restricted for debt service	3,647,926
	<hr/>
Total current assets - restricted	75,120,357

Capital assets, net 539,818,277

#### Other assets:

Interest receivable from City of Houston	53,143,457
Obligation for compensable absences	2,476,552
Long-term loan receivable from City of Houston	14,608,836
	<hr/>
Total other assets	70,228,845

Total assets 715,732,523

Deferred outflows of resources 63,475

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** \$ 715,795,998

# Coastal Water Authority

## Statement of Net Position – Continued

December 31, 2021

### LIABILITIES AND NET POSITION

#### Current liabilities - unrestricted:

Accounts payable	\$ 1,942,013
Retainage payable	100,363
Compensable absences - current	130,346

Total current liabilities - unrestricted 2,172,722

#### Current liabilities - restricted:

Accounts payable	134,435
Retainage payable	2,508,478
Current portion of bonds payable	8,050,000
Bond interest payable	152,488

Total current liabilities - restricted 10,845,401

#### Long-term liabilities:

Bonds payable, net	90,656,693
Long-term loans	304,574,000
Interest payable	53,387,292
Compensable absences payable	2,476,552
Other postemployment benefits	5,145,335

Total long-term liabilities 456,239,872

Total liabilities 469,257,995

### NET POSITION

Net investment in capital assets	195,634,359
Restricted for:	
Contingencies, net of restricted liabilities	5,000,255
Debt service	7,947,203
Operations reserves	7,095,889
Unrestricted	30,860,297

Total net position 246,538,003

### TOTAL LIABILITIES AND NET POSITION

\$ 715,795,998

# Coastal Water Authority

## Statement of Revenues, Expenses, and Changes in Fund Net Position Year Ended December 31, 2021

### OPERATING REVENUES

Funds provided by City of Houston	\$ 24,440,190
Funds provided by San Jacinto River Authority	85,725
Service revenues	4,315,761

Total operating revenues 28,841,676

### OPERATING EXPENSES

Utilities	6,950,793
Field salaries	6,917,108
Administrative	3,156,391
General operating	2,294,860
Materials and supplies	3,566,195
Engineering, legal, and professional	1,025,310
Contract labor and equipment	5,424,949
Depreciation expense	7,017,837

Total operating expenses 36,353,443

Operating loss (7,511,767)

### NON-OPERATING REVENUES (EXPENSES)

Investment income	26,057
Interest income	633,314
Bond interest expense, net of amortization of bond issues	(3,159,773)
Gain on sale of capital assets	44,862
Loan interest expense	(11,796,276)
Other income	1,269,989

Net non-operating revenues/(expenses) (12,981,827)

Loss before contributions (20,493,594)

### CONTRIBUTIONS PROVIDED BY CITY OF HOUSTON

23,151,391

Change in net position 2,657,797

Net position - beginning 243,880,206

### NET POSITION - ENDING

\$ 246,538,003

**Coastal Water Authority**  
Statement of Cash Flows  
Year Ended December 31, 2021

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from municipalities	\$ 23,777,996
Cash received from customers	4,151,109
Cash payments to employees and suppliers for goods and services	<u>(32,847,248)</u>
Net cash used in operating activities	(4,918,143)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	(9,051,615)
Proceeds from sale of capital assets	126,269
Advance to City of Houston	<u>619,492</u>
Net cash used in capital and related financing activities	(8,305,854)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of investment securities	85,471,524
Proceeds from maturities and sales of investment securities	(59,770,254)
Investment income	663,123
Other income	<u>1,269,989</u>
Net cash provided by investing activities	<u>27,634,382</u>
Net increase in cash and cash equivalents	14,410,385
Cash and cash equivalents at beginning of year	<u>73,007,466</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 87,417,851</u></u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION</b>	
Cash and cash equivalents, unrestricted	\$ 20,942,578
Cash and cash equivalents, restricted	<u>66,475,273</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u><u>\$ 87,417,851</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating loss	\$ (7,511,767)
Adjustments to reconcile operating loss to net cash used in by operating activities:	
Depreciation	7,017,837
Changes in assets and liabilities:	
Receivables, net	(912,571)
Accounts payable	(1,414,723)
Retainage payable	(1,839,338)
Other postemployment benefits liability	<u>(257,581)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u><u>\$ (4,918,143)</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Interest and principal payments made by City of Houston	<u><u>\$ 23,151,391</u></u>

The Notes to the Financial Statements are an integral part of this statement.

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# Coastal Water Authority

## Notes to the Financial Statements

### Note 1. Reporting Entity and Summary of Significant Accounting Policies

#### A. Organization and Reporting Entity

In 1967, an act of the State of Texas Legislature (the Act) created Coastal Water Authority (CWA or the Authority) as a conservation and reclamation district and political subdivision of the State of Texas covering a part of southwest Liberty County, southwest Chambers County, and most of Harris County. Under the Act, the primary purpose of creating CWA is to provide an agency to finance and construct a water conveyance and distribution system to transport surface water from Lake Livingston and the Trinity River into the above mentioned counties. CWA is also charged with conveying water to a point where it will be available for Galveston County. CWA is authorized to issue revenue bonds, improvement bonds, and special project bonds for the purpose of constructing or acquiring additional facilities that would enable CWA to distribute water to other customers.

In 2005, the Act was amended. Under the amended legislation, CWA may become involved in desalinization and reclamation projects, create a nonprofit corporation to aid and act on behalf of CWA in implementing a CWA project, and develop and generate electric energy with wind turbines or hydroelectric facilities to be used by CWA or the City of Houston, Texas. CWA may also incur indebtedness, such as bond anticipation notes, or other bonds, for the purpose of improving rivers, creeks, and streams to aid in and prevent overflows.

In 2011, the Act was further amended, clarifying CWA's authority to participate in wetland mitigation under Chapter 221, Natural Resources Code.

#### B. Related Organizations

The City of Houston, Texas (the City) is incorporated under the laws of the State of Texas and provides governmental services as authorized or required by its charter. The City appoints a voting majority of CWA's board members, but is not financially accountable for the actions of CWA. As a result, the City does not have a financial benefit in CWA and a burden relationship does not exist. All transactions with the City are evidenced by operating and construction project contracts for which the City compensates CWA for their services received pursuant to the contracts.

#### C. Basis of Accounting

The financial statements of CWA have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted primary standards-setting body for establishing accounting and financial reporting principles for state and local governments.

Under GASB Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — For State and Local Governments*, CWA qualifies as a special-purpose government engaged only in business-type activities, and accordingly, only the financial statements required for an enterprise fund are presented as basic financial statements.

CWA's activities are accounted for on the flow of economic resources measurement focus with the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable. Expenses are recognized in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The fund net position is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

# Coastal Water Authority

## Notes to the Financial Statements

### D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates included in the financial statements are depreciation expense which is based on the estimated useful lives of the underlying depreciable assets, annual other postemployment benefits (OPEB) costs and related total OPEB liability, and the assets and liabilities for compensable absences.

### E. Cash and Cash Equivalents

For purposes of the statement of cash flows, CWA considers all deposits with a maturity of three months or less to be cash equivalents. Cash restricted by purpose is reported separately from unrestricted cash and cash equivalents.

### F. Accounts Receivable

Accounts receivable at December 31, 2021 consisted of billings to customers for user charges and reimbursable expenses from the City. No allowance for doubtful accounts has been recorded because management deemed all receivables to be collectible.

### G. Capital Assets

Capital expenditures for the acquisition, construction, or improvement of capital assets are recorded at cost. Management estimates water systems to have a 30% salvage value. Depreciation is provided on a straight-line basis over the estimated useful lives. The estimated useful lives of CWA's capital assets are as follows:

<u>Description</u>	<u>Useful Lives</u>
Water systems	15-50 years
Trucks, equipment, and other	5-10 years

The cost of normal maintenance and repairs that do not add value to the asset or materially extend its life are not capitalized. When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in operations for the period. CWA continuously reviews the carrying value of its property and equipment for possible impairment. When applicable, the book amounts are reduced to fair values.

The balance of construction in progress represents costs incurred on the construction of assets which have not been completed or placed in service as of the end of the year (see Note 8).

### H. Unamortized Bond Premium

Bond premium represents interest paid in advance to the issuer by the bondholders who receive a return of the premium in the form of larger periodic interest payments. The bond premium is amortized over the life of the bond with the amortized amount decreasing interest expense over each period. The bond premiums arising from issuances have been capitalized and amortized over the life of the bonds in accordance with accounting principles generally accepted in the U.S. (U.S. GAAP) requirements. Balance outstanding as of December 31, 2021 on the premiums in the amount of \$3,506,693 has been recorded in the accompanying financial statements as an addition to the face value of the bonds to arrive at its carrying value.

## Coastal Water Authority

### Notes to the Financial Statements

#### I. Investments

CWA is authorized to invest in direct obligations of, or obligations guaranteed by, the United States of America, obligations of certain federal agencies, states, counties, cities, and other investment instruments as authorized by CWA's investment policy, certain obligations of public housing authorities and related institutions, fully collateralized repurchase agreements, and interest bearing time deposits. Any cash balances and time deposits are required to be collateralized and secured by pledges of direct obligations of, or obligations guaranteed by, the United States of America, obligations of such federal agencies, and certain obligations of public housing authorities and related institutions. Repurchase agreements are required to be fully collateralized by such securities held in a safekeeping account subject to the control and custody of CWA. Investments are valued at amortized cost, which approximates fair value, typically mature in one year or less, and are held to maturity. CWA's Board of Directors reviewed and confirmed the investment policy on October 13, 2021.

#### J. Compensable Absences

CWA maintains two vacation leave plans (A and B). Under vacation leave plan A, applicable to employees hired on or before September 1, 2012, employees receive ten days of vacation and fifteen days of sick leave each year. After five years of service, employees receive one additional vacation day for each additional year of service up to a maximum of fifteen additional days. Employees may accumulate vacation leave from year to year and upon termination or resignation, receive a lump sum vacation accrual payment up to a maximum of 720 hours. Upon termination or resignation, employees with two or more years of service may receive a lump-sum sick leave payment up to a maximum of 700 hours. Paid absences for employee vacation and sick leave are recorded as expenses when used. CWA's obligation for unused employee vacation and sick leave is reported as a long-term liability, net of current portion. Since these expenses are due from the City when incurred by employees, CWA records an equal amount of receivable for these compensable absences.

Under vacation leave plan B, applicable to employees hired after September 1, 2012, employees receive ten working days of vacation and eight days of sick leave each year. Employees who have completed five years of continuous employment receive an additional day of vacation for each additional year of service subject to a maximum of fifteen additional days. Employees are required to utilize their vacation time during the benefit year. Any accrued vacation days not utilized within the benefit year will not be allowed to be carried over to the next benefit year. However, employees may carry over to the next year accrued, unused sick leave hours. Upon termination of employment, employees under this plan will not be paid for any accrued, unused vacation or sick leave.

#### K. Revenues and Expenses

Operating revenues are those revenues generated from the primary operations of CWA. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of CWA. All other expenses are reported as non-operating expenses. The principal operating revenues of CWA are revenues generated from transportation of surface water to its customers.

Contributions, which finance either capital or current operations, are reported based on GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In applying GASB Statement No. 33 to contributions, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources that qualify to be recorded by CWA as receivables and revenues, which are transmitted by the provider before the eligibility requirements are met, are reported as liabilities.

## Coastal Water Authority

### Notes to the Financial Statements

#### L. Restricted Assets

Proceeds of CWA's contract revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited per applicable bond covenants. The investments held for the construction account is used to report those proceeds of revenue bond issuances that are restricted for use in construction projects.

Funds received for CWA's operation and maintenance are set aside to create a reserve for major maintenance, repairs, replacement, and obligatory replacement fund per the Trinity River Water Conveyance System contract and the Lake Houston Pump Station contract between CWA and the City of Houston. These funds are shown as restricted investments in the financial statements.

#### M. Income Taxes

CWA is an organization described in Internal Revenue Code Section 115. Generally, no tax provision is necessary in regard to its excess revenue. Accordingly, none has been recorded in the accompanying financial statements.

#### N. Net Position

Sometimes CWA will fund expense for a particular purpose from both restricted (e.g., restricted debt service or contingency) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is CWA's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

#### O. Implementation of New Accounting Standards

*GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans (GASB 97)*, increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. It also provides for 1) mitigation of costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements and 2) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements of paragraph 4 of this statement are effective immediately upon issuance in June 2020. All other requirements of this statement are effective for reporting periods beginning after June 15, 2021, with earlier application encouraged. GASB 97 will be implemented early in the CWA's fiscal year 2021 financial statements and has no significant impact.

## Coastal Water Authority

### Notes to the Financial Statements

#### Note 2. Trinity River Water Conveyance System Contracts City of Houston

CWA entered into a contract (the Initial Contract) with the City in May 1968. The contract expires on the earlier date of June 15, 2035 or the date on which the debt service requirements have been paid in full. In consideration of CWA's agreement to construct the main water conveyance and distribution systems, the City agreed to pay, solely out of revenues received from the operation of the City's water and wastewater systems, all maintenance and operating costs and all debt service requirements for the Trinity River Water Conveyance System. Upon termination of the contract and upon payment of all bonds and other obligations issued by CWA for the Trinity River Water Conveyance System, CWA must assign and convey to the City, upon request, all of its rights, titles, and interest in the Trinity River Water Conveyance System.

In June 1995, CWA entered into an operating contract (the Operating Contract) and a project financing and construction contract (the Projects Contract) with the City. The Operating Contract expires on the earlier occurrence of the year 2035 or when both the Initial Contract and the Projects Contract terminate. The Projects Contract expires on the earlier occurrence of the year 2035 or when all bonds and other obligations issued by CWA pursuant to the Projects Contract to finance the cost of projects or refinance the cost of such projects are paid.

The Operating Contract amends, restates, and supersedes the Initial Contract relating to CWA's operation for the Trinity River Water Conveyance System. In the Operating Contract, CWA is required to operate and maintain the Trinity River Water Conveyance System and the facilities constructed and/or acquired (Trinity River facilities) pursuant to the Projects Contract and acquire and/or construct improvements to such facilities or other City facilities. In return, the City pays CWA for maintenance, operation, construction, improvement, and repair of the City projects, including reasonable overhead and administrative costs, as set forth in the annual operating budget. The City is entitled to credits against its obligations under the Operating Contract to the extent that excess revenues, including proceeds from third-party insurers and grants from any Federal or state agency, received by CWA from the operation of the Trinity River facilities are available and are used to pay maintenance, operation, construction, improvement, and repair expenses of the facilities pursuant to the terms of the Operating Contract.

Under the Projects Contract, CWA is required to construct and/or acquire, improve, and repair certain water conveyance and distribution facilities. In return, the City pays, solely from the gross revenues received from the operation of the City's water and wastewater systems, all amounts necessary to pay debt service requirements and reserve fund requirements for such facilities. Upon termination of the Projects Contract and upon payment of all bonds and other obligations issued by CWA, CWA must assign and convey to the City, upon request, all of its rights, titles, and interest in and to such facilities.

In accordance with the terms of the various bond resolutions and City contracts, CWA is required to maintain, in the Trinity River Water Conveyance System operations account, an amount equal to three months average operating costs, as applicable to the City, estimated from its annual operating budget. At the beginning of each year, CWA makes an adjustment to the operating reserves to meet the requirements. This adjustment is either paid by or credited to the City. This amount is being shown in the statement of net position as part of line item "restricted net position – operations reserves." As of December 31, 2021, this reserve amounted to \$5,299,073.

## Coastal Water Authority

### Notes to the Financial Statements

#### San Jacinto River Authority

Effective February 10, 1998, CWA entered into a water conveyance contract with San Jacinto River Authority (SJRA) whereas SJRA reserved 50 million gallons per day (MGD) of capacity in the CWA main canal system. In 1998, SJRA paid CWA a capital recovery fee of \$3,663,860 for this capacity reservation. SJRA paid \$796,087 for the costs of engineering, design, and construction of a diversion point to accommodate this conveyance of water from CWA's main canal to SJRA's canal. Upon completion of the construction project in February 2000, CWA began operating and maintaining this diversion point structure. In return, SJRA began paying a monthly operating charge to CWA for the conveyance of this water. Termination of the contract will occur on the earlier date of January 1, 2035 or the date the City acquires the CWA main canal system.

In accordance with the terms of the contract with SJRA, CWA is required to maintain, in the Trinity River Water Conveyance System operations account, an amount equal to three months average operating costs, as applicable to SJRA, estimated from its annual operating budget. At the beginning of each year, CWA makes an adjustment to the operating reserves to meet the requirements. This adjustment is either paid by or credited to SJRA. This amount is being shown in the statement of net position as part of the line item "restricted net position - operations reserves." As of December 31, 2021, this reserve amounted to \$25,452.

#### Note 3. Lake Houston Facilities

Effective January 1, 1996, CWA entered into an operating contract with the City to assume the responsibility of operating, maintaining, and keeping the Lake Houston Pump Station, West Canal, and related facilities (the Facilities) in good repair and to assume the responsibility of transporting water through the Facilities. The City pays, solely out of revenues received from the operation of the City's water and wastewater system, all maintenance and operating costs of the Facilities. The City is entitled to credits against obligations for interest received on Lake Houston Facilities fund investments. The contract has been renewed and will continue to 2025 unless terminated by either party.

In accordance with the terms of this contract, CWA is required to maintain, in the Lake Houston operations account, an amount equal to three months average operating costs as estimated from its annual operating budget. At the beginning of each year, CWA makes an adjustment to the operating reserves to meet the requirements. This adjustment is either paid by or credited to the City. This amount is being shown in the statement of net position as part of the line item "restricted net position - operations reserves." As of December 31, 2021, this reserve amounted to \$844,228.

Effective January 1, 2004, the Operating Contract with the City was amended to extend responsibility for operating, maintaining, performing inspections, and implementing security of Lake Houston and the Lake Houston Dam to CWA. Further, the work under the Operating Contract may be paid by the City either as a capital project or from revenues received from the operation of the City's water and wastewater systems.

#### Note 4. Bayport Water System

In 1979, CWA acquired an existing water distribution system, the Bayport Water System, from the Friendswood Development Company and to extend the system to service additional customers. The Bayport Water System is attached to CWA's distribution system and its customers consist primarily of large national company chemical plants.

In 1985, CWA improved the Bayport Water System by the construction of crossover connections to interconnect the three CWA systems and bypass the Bayport reservoir and pump station. This change resulted in a more efficient and reliable system.

## Coastal Water Authority

### Notes to the Financial Statements

A Capital Improvement Fund was established through designation by the board of CWA in the Bayport Water System to provide funds for future renovations, improvements, and repairs to the system. Maintenance and operating costs are paid from revenues received from the operations of the Bayport Water System.

#### **Note 5. Water Treatment Plant**

In 1979, CWA acquired an existing water treatment plant (the Plant) from Crown Central Petroleum Company. The Plant is connected to CWA's distribution system and its customers consist of large chemical processing companies.

In November 2002, Air Products and Chemicals, Inc., (Air Products) entered into an agreement with CWA to receive and treat untreated surface water. The termination date for the agreement was December 31, 2017; thereafter, the agreement was renewed for an additional five-years commencing January 1, 2018 and will expire December 31, 2022 and can be renewed for an additional five-year period. In return, Air Products will take delivery of the treated surface water and make monthly payments to CWA for water treatment services. As of October 1, 2018, Air Products assigned their contract with CWA to Sekisui Specialty Chemicals America, LLC.

In January 2005, Pasadena Refining Systems, Inc. (PRSI) entered into an agreement with CWA to receive and treat 1.15 to 6.0 million gallons of untreated surface water per day for PRSI's production requirements. In return, PRSI will take delivery of the treated surface water and make monthly payments to CWA for water treatment services. The termination date for the agreement was December 2017. The agreement was renewed for an additional five-years commencing January 1, 2018 and will expire December 31, 2022 and can be renewed for an additional five-year period.

#### **Note 6. Luce Bayou Project**

In 2009, CWA entered into another project financing and construction contract with the City to plan, design, acquire property, construct and finance a project known as the Luce Bayou Interbasin Transfer Project (the Luce Bayou Project), which includes infrastructure sized to transfer approximately 450,000 acre feet per year of the City's permitted surface water from the Trinity River to Lake Houston. The Preliminary Project Costs of the Luce Bayou Project were financed and paid through the issuance of CWA contract revenue bonds which were purchased by the Texas Water Development Board (the TWDB) through its Water Infrastructure Fund (WIF) loan program, under which the TWDB loaned funds (the WIF Bonds) to CWA in the amount of \$28,000,000 in 2009 and an additional \$5,115,000 in 2010. The WIF Bonds are secured by the City's pledge under the Projects Contract to pay Debt Service on the WIF Bonds from the City's Net Revenues held in the General Purpose Fund.

Under the Luce Bayou Project, CWA advanced funds in the amount of \$9,705,000 to pay for the City's share of Land and Mitigation Costs. The funds were obtained from CWA's revenues derived from the sale of certain Certificates of Participation, Series 1993A-J with respect to the City of Houston Water Conveyance System Contract. The City shall repay the advance to CWA along with interest, at a rate equal to the prime rate published by the Wall Street Journal on the respective January 1<sup>st</sup> or July 1<sup>st</sup> for the period June 15, 2009 through December 15, 2016 and the 10- year Bond Buyer Revenue Bond Index for the period from December 15, 2016 through December 15, 2038. The City's payment schedule will start on June 15, 2019 and its repayment term is 20 years with one principal payment and two interest payments each year.

## Coastal Water Authority

### Notes to the Financial Statements

On March 13, 2012, CWA Board authorized an additional sum amounting to \$5 million to be used for acquisition of right-of-way for the Luce Bayou Project thereby increasing the total estimated costs of the Land and Mitigation project to \$20 million. In accordance with the provisions of the contract agreement, CWA received \$1,765,000 from the City and CWA transferred the amount of \$3,235,000 from its Special Project Equity Fund (SEALS) to cover the City's portion of the acquisition costs. Accordingly this amount has been recorded as a receivable from the City in the financial statements.

Pursuant to a Master Agreement (the Agreement) dated February 21, 2013, between CWA and TWDB, TWDB during the year, made available to CWA a funding in the amount \$28,754,000. The funding is to enable TWDB to purchase an initial 35% undivided interest in the Luce Bayou Project. In accordance with the provisions of the agreement, TWDB may purchase up to 80% of an undivided interest in the Luce Bayou Project. The proceeds of the fund are held in a construction fund created for such purpose and held by CWA. Funds in the construction fund including interest and investment earnings are to be used only for the Luce Bayou Project costs or for CWA's purchase of TWDB's interest in the Project. In conjunction with the Agreement, CWA and the City entered into a first supplement to the Luce Bayou Project contract to incorporate the City's pledge for payment of debt service of the loan.

Pursuant to a Master Agreement (the Agreement) dated November 20, 2015, between CWA and TWDB, TWDB, during the year, made available to CWA funding in the amount of \$66,565,000. This funding is to enable TWDB to purchase an initial 35% undivided interest in the Luce Bayou Project. In accordance with the provisions of the Agreement, TWDB may purchase up to 80% of an undivided interest in the Luce Bayou Project. The proceeds are held in a construction fund created for such purpose and held by CWA. Funds in this construction fund including interest and investment earnings are to be used only for the Luce Bayou Project costs or for CWA's purchase of TWDB's interest in the Project. In conjunction with the Agreement, CWA and the City entered into a second supplement to the Luce Bayou Project contract to incorporate the City's pledge for payment on debt service of the loan.

An amendment to the Agreement dated October 24, 2016, made available to CWA additional funding in the amount of \$136,460,000. In conjunction with the Agreement, CWA and the City entered in a third supplement to the Luce Bayou Project contract to incorporate the City's pledge for payment on debt service of the loan.

A second amendment to the Agreement dated November 13, 2017, made available to CWA additional funding in the amount of \$72,795,000. In conjunction with the Agreement, CWA and the City entered in a fourth supplement to the Luce Bayou Project contract to incorporate the City's pledge for payment on debt service of the loan.

The TWDB on July 20, 2017, adopted Texas Water Development Board Resolution No. 17-076 to provide Financial Assistance to the Coastal Water Authority in the amount of \$24,180,000. The proceeds are held in a construction fund created for such purpose and held by CWA. Funds in this construction fund, including interest and investment earnings, are to be used only for the Luce Bayou Project costs. In conjunction with the Agreement, CWA and the City entered into a fifth supplement to the Luce Bayou Project contract to incorporate the City's pledge for payment on debt service of the Contract Revenue Bond, Series 2017.

In accordance with the terms of this contract, CWA is required to maintain, in the Luce Bayou operations account, an amount equal to three months average operating costs as estimated from its annual operating budget. At the beginning of each year, CWA makes an adjustment to the operating reserves to meet the requirements. This adjustment is either paid by or credited to the City. This amount is being shown in the statement of net position as part of the line item "restricted net position - operations reserves." As of December 31, 2021, this reserve amounted to \$927,136.

**Coastal Water Authority**  
Notes to the Financial Statements

**Note 7. Deposits and Investments**

CWA’s investments are stated at fair value, with certain exceptions described below. CWA categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, which provides a framework for measuring fair value and establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices within Level 1, that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Certain investment types are not required to be measured at fair value; these include certain investment pools which are measured at the net asset value (NAV) determined by the pool, which approximates fair value. These instruments are exempt from categorization within the fair value hierarchy.

As of December 31, 2021, CWA had the following deposits and investments:

Deposits	Value	Average Maturity (in Days)	Rating*
Cash and cash equivalents	\$ 20,942,578	31	AAAm
Restricted cash and cash equivalents	66,475,273	-	
	\$ 87,417,851		
Investment Type	Fair value	Average Maturity (in Days)	Rating
U.S. government & agency securities	\$ 9,834,408	168	N/A

\* Standard & Poor’s rating

The U.S. government and agency securities are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, CWA’s deposits may not be returned to it. As of December 31, 2021, CWA’s bank balances were fully collateralized in accordance with CWA’s investment policy.

# Coastal Water Authority

## Notes to the Financial Statements

### Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the CWA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The CWA's investments are held by the CWA's agent in the CWA's name for the benefit of the CWA.

### Interest Rate Risk

CWA's formal investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Financial assets are invested only in authorized investments whose maturities do not exceed one year at the time of purchase.

Texas Short Term Asset Reserve Program Cash Reserve Fund (TexStar) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code (Code), and the Public Funds Investment Act (PFIA), Chapter 2256 of the Code. TexStar was created in April 2002 through a contract among its participating governmental units, and is governed by a board of directors (board), to provide for the joint investment of participant's public funds and funds under their control. It is the policy of TexStar to invest pooled assets in a manner that will provide for preservation and safety of principal and competitive investment returns while meeting the daily liquidity needs of its participants. The Portfolio of TexStar is a government-repo fund, utilizing primarily U.S. treasury securities, U.S. agency securities both fixed and floating, and repurchase agreements collateralized by such obligations. In order to meet the liquidity needs of the pool's shareholder base and limit its exposure to significant market price fluctuations occurring during the periods of volatile interest rate movement, the weighted average maturity of the pool's assets is limited to 60 days or less. J.P. Morgan Asset Management and Hilltop Securities serve as co-administrators for TexStar under an agreement with the TexStar board.

TexStar measures its investments at fair value; therefore, the investment is reported at net asset value in the accompanying financial statements. The investment pool does not have any limitations or restrictions on withdrawals, such as notice periods or maximum transaction amounts, and do not impose any liquidity fees or redemption gates. As of December 31, 2021, investments in TexStar amounted to \$61,223,916.

### Note 8. Capital Assets

Capital assets consisted of the following at December 31, 2021:

	Balance December 31, 2020	Additions	Retirements	Reclass and Transfers	Balance December 31, 2021
Land	\$ 27,268,843	\$ -	\$ -	\$ -	\$ 27,268,843
Intangibles	8,669,664	-	-	-	8,669,664
Water systems	406,022,537	-	-	4,726,431	410,748,968
Trucks, equipment, and other	14,341,355	946,007	(178,585)	-	15,108,777
Construction in progress	306,451,038	8,105,608	-	(4,726,431)	309,830,215
<b>Total capital assets, costs</b>	<b>762,753,437</b>	<b>9,051,615</b>	<b>(178,585)</b>	<b>-</b>	<b>771,626,467</b>
Accumulated depreciation:					
Water systems	(215,655,078)	(5,984,930)	-	-	(221,640,008)
Trucks, equipment, and others	(9,232,453)	(1,032,907)	99,973	(2,795)	(10,168,182)
<b>Total accumulated depreciation</b>	<b>(224,887,531)</b>	<b>(7,017,837)</b>	<b>99,973</b>	<b>(2,795)</b>	<b>(231,808,190)</b>
<b>Total capital assets, net</b>	<b>\$ 537,865,906</b>	<b>\$ 2,033,778</b>	<b>\$ (78,612)</b>	<b>\$ (2,795)</b>	<b>\$ 539,818,277</b>

Depreciation expense for the year ended December 31, 2021 was \$7,017,837.

CWA has active construction commitments as of December 31, 2021 of \$958,443. The commitments include the construction and equipment of the water systems.

**Coastal Water Authority**  
Notes to the Financial Statements

**Note 9. Long-Term Liabilities**

The following is a summary of long-term liabilities for the year ended December 31, 2021:

Descriptions	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Due within One Year
Bonds:					
Series 2009 contract revenue bonds (maturing 12/15/2028)	\$ 22,945,000	\$ -	\$ (2,615,000)	\$ 20,330,000	\$ 2,680,000
Series 2010 contract revenue bonds (maturing 6/15/2030)	4,700,000	-	(420,000)	4,280,000	430,000
Series 2010 contract revenue refunding bonds (maturing 12/15/2025)	20,210,000	-	(3,040,000)	17,170,000	3,160,000
Series 2014 contract revenue refunding bonds (maturing 12/15/2034)	32,785,000	-	(1,085,000)	31,700,000	1,140,000
Texas Water Development Board long-term loan - 2013 (maturing 12/15/2046)	28,754,000	-	-	28,754,000	-
Texas Water Development Board long-term loan - 2015 (maturing 6/15/2050)	66,565,000	-	-	66,565,000	-
Texas Water Development Board long-term loan - 2016 (maturing 6/15/2051)	136,460,000	-	-	136,460,000	-
Texas Water Development Board long-term loan - 2017 (maturing 6/15/2052)	72,795,000	-	-	72,795,000	-
Series 2017 contract revenue bonds (maturing 6/15/2047)	22,355,000	-	(635,000)	21,720,000	640,000
	407,569,000	-	(7,795,000)	399,774,000	8,050,000
Add:					
Unamortized premium	3,958,661	-	(451,968)	3,506,693	-
	411,527,661	-	(8,246,968)	403,280,693	8,050,000
Other liabilities:					
Interest payable	45,868,882	7,670,898	-	53,539,780	152,488
Compensated absences	2,640,563	455,286	(488,951)	2,606,898	130,346
Other postemployment benefit liability	5,402,916	837,259	(1,094,840)	5,145,335	-
<b>Total long-term liabilities</b>	<b>\$ 465,440,022</b>	<b>\$ 8,963,443</b>	<b>\$ (9,830,759)</b>	<b>\$ 464,572,706</b>	<b>\$ 8,332,834</b>

**Coastal Water Authority**  
Notes to the Financial Statements

The annual debt service requirements for bonds payable as of December 31, 2021 are as follows:

Year Ending December 31,	Principal	Interest
2022	\$ 8,050,000	\$ 15,100,379
2023	8,350,000	14,799,499
2024	8,660,000	14,482,435
2025	13,555,000	14,149,108
2026	6,550,000	13,570,762
2027-2031	25,570,000	64,812,894
2032-2036	24,310,000	60,629,660
2037-2041	85,615,000	50,738,481
2042-2046	107,894,000	31,942,147
2047-2051	104,930,000	10,673,121
2052-2056	6,290,000	118,567
<b>Totals</b>	<b>\$ 399,774,000</b>	<b>\$ 291,017,053</b>

Series 2009 bonds carry a fixed interest rate of 2.13%-2.88%, Series 2010 Contract Revenue Bonds carry a fixed interest rate of 1.64%-2.82%, and Series 2010 Contract Revenue Refunding Bonds carry a fixed interest rate of 2.0%-5.0%. The TWDB 2013 loan carries a fixed interest rate of 4.44%-4.69%. Series 2014 Contract Revenue Refunding Bonds carry a fixed interest rate of 3.0%-5.0% and are payable on June 15 and December 15 of each year. The TWDB 2015 loan carries a fixed interest rate of 3.98%-4.11%. The TWDB 2016 loan carries a fixed interest rate of 3.46%-3.88%. Series 2017 Contract Revenue Bonds carry a fixed interest rate of 0.69%-3.0% and are payable on June 15 and December 15 of each year. The TWDB 2017 loan carries a fixed interest rate of 3.57%-3.86%.

**1. Source of Repayment**

The Series 2009, 2010 Refunding Bonds, 2014 Refunding Bonds, and 2017 (the Bonds) as well as the 2013, 2015, 2016, and 2017 loans are special limited obligations of CWA which are payable as to principal and interest solely from certain payments to be made by the City of Houston (the City) to CWA under certain project contracts.

**2. Prior Defeasance of Debt**

CWA has at various times entered into transactions to refund certain issues of its bonded debt. Generally, these transactions involve putting funds in a trust to be used to purchase securities to meet all the debt service requirements of the refunded debt, until that debt either matures or is redeemed. The liability for such refunded bonds and the related securities and escrow accounts were not included in the accompanying financial statements, as CWA defeased its obligations for payment of the refunded debt upon completion of the refunding transactions. At December 31, 2021, no outstanding bonds were considered defeased.

## Coastal Water Authority

### Notes to the Financial Statements

#### Private Placements (Direct Placements)

The Series 2009, 2010 and 2017 Contract Revenue Bonds (Luce Bayou Project) along with the TWDB long-term loans 2013, 2015, 2016 and 2017 are Direct Placements with the TWDB as funding for the Luce Bayou Project (See Note 6). These direct placement debt service payments are secured by the City's pledge under the Luce Bayou Projects Contract between the Authority and the City on the City's revenue from the Combined Utility System operations. The TWDB maintains certain percentage undivided interest in the Luce Bayou Project. As debt service payments are made the percentage of TWDB's undivided interest diminishes.

#### Note 10. Employee Benefit Plans

CWA has a single-employer defined contribution plan (the Plan) under which all full-time employees are eligible to participate upon completion of 90 days of service. All employees are required to contribute 4% of their annual compensation and may make additional voluntary contributions up to a maximum of 10% of that compensation received during all years of plan participation when added to their prior employee contributions.

CWA contributes 11.8% of each employee's gross compensation, which is 18% less a fixed rate of 6.2%, until eligible compensation is no longer subject to the Federal Insurance Contribution Act (FICA). When CWA is not required to contribute to FICA, with respect to each employee, CWA contributes the additional 6.2% to the employee's account. Maximum annual employee contributions are limited to 100% of the employee's compensation. Participants are 100% vested in their contributions and earnings thereon. For the employer contributions, participants are vested at the rate of 20% per year, beginning subsequent to the completion of one year of service, allowing 100% vesting after five years. Participants also become 100% vested upon death, disability, or reaching 65 years of age. In the event of termination of the plan, the vested interest of each participant shall be 100% and no part of the plan's assets will revert to CWA.

**Coastal Water Authority**  
Notes to the Financial Statements

Total payroll expense for the year ended December 31, 2021 (100% covered by the plan) was \$7,592,887. Accordingly, the 2021 required contributions for employees was \$303,715 and CWA's requirement, net of forfeitures, was \$895,961. Actual contributions from employees and CWA during the plan year ended September 30, 2021 were \$460,717 and \$948,348, respectively. Below is the Statement of Net Assets Available for Benefits and the Statement of Changes in Net Assets Available for Benefits derived from the Plan's financial statements for the year ended September 30, 2021.

Statement of Net Assets Available for Benefits

Assets:	
Investments in U.S government agency securities at fair value	\$ 10,589,348
Employer's contribution receivable	15,776
Other receivables	<u>2,072</u>
<b>Net assets available for benefits</b>	<b><u>\$ 10,607,196</u></b>

Statement of Changes in Net Assets Available for Benefits

Additions to net assets	
Investment income	
Net appreciation in fair value of investments	\$ 15,414
Contributions:	
Employer	948,348
Participants	<u>460,717</u>
Total contributions	<u>1,409,065</u>
Total additions to net assets	1,424,479
Deductions from net assets:	
Benefits paid	<u>4,949,693</u>
Total deductions from net assets	<u>4,949,693</u>
Change in net assets	(3,525,214)
Net assets available for benefits, beginning of year	<u>14,132,410</u>
<b>Net assets available for benefits, end of year</b>	<b><u>\$ 10,607,196</u></b>

**Coastal Water Authority**  
Notes to the Financial Statements

The Plan's investments at September 30, 2021 were as follows:

September 30, 2021	Face Value	Fair Value	Amortized Cash
US Treasury Bill dated 04/28/2021, 0.0200% Due 01/27/2022	\$ 2,000,000	\$ 1,999,721	\$ 1,999,869
US Treasury Bill dated 04/28/2021, 0.0450% Due 04/21/2022	2,000,000	1,999,466	1,999,495
FFCB Coupon Note dated 07/14/2021, 0.0700%, Due 07/14/2022	1,500,000	1,500,131	1,500,227
Federal Farm Credit Coupon Note Dated 10/08/2020, 0.1000% Due 10/08/2021	1,000,000	1,000,004	1,000,477
FFCB Coupon Note dated 06/22/2020, 0.26000% Due 06/22/2022	1,850,000	1,852,664	1,851,211
Cash Equivalents; Invesco Government & Agency Institutional Class	<u>2,237,362</u>	<u>2,237,362</u>	<u>2,237,362</u>
<b>Totals</b>	<u>\$ 10,587,362</u>	<u>\$ 10,589,348</u>	<u>\$ 10,588,641</u>

Employees of CWA may also participate in a deferred compensation plan, created in accordance with Internal Revenue Code Section 457, which permits the deferral of a portion of their salaries until future years. The deferred compensation is not available to employees until retirement, termination, death, or an unforeseeable emergency. All assets and income of the plan shall be held for the exclusive benefit of the plan's participants and their beneficiaries. The plan is administered by an independent contractor using the investment programs selected by the participants.

**Note 11. Postemployment Benefits**

**A. Plan Description**

CWA administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The Retiree Health Plan has no plan assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75. The Retiree Health Plan provides healthcare insurance for eligible retirees and their spouses through CWA's group health insurance plan, which covers both active and retired members. Substantially all of CWA's employees become eligible for these benefits if they reach normal retirement age while working for CWA. CWA issues a publicly available financial report that includes financial statements and required supplementary information for the Retiree Health Plan. The report may be obtained by writing to CWA, 1801 Main Street, Suite 800, Houston, Texas 77002.

**B. Funding Policy**

The contribution requirements of plan members are established and may be amended by the CWA's Board of Directors. These costs are funded on a pay-as-you-go basis. Contributions are recognized in the year paid. CWA paid \$163,413 during the year ended December 31, 2021 for healthcare premiums as they became due.

## Coastal Water Authority

### Notes to the Financial Statements

#### C. Employees Covered by Benefit Terms

The number of employees covered by the benefit terms is 85. Active employees make up 70 of the total and inactive employees make up 15 of this total.

#### D. Total OPEB Liability

The Authority's total OPEB liability of \$5,145,335 was measured as of December 31, 2021 using the alternative measurement method under GASB Statement No. 75.

The total OPEB liability at December 31, 2021 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Age adjustment factor	1.142103
Average retirement age	65 years
Employer future premium contribution	Remain a level % of the total cost over time
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Assets backing OPEB liability	\$0
Plan asset return	0%
Bond yield	2.050%
Measurement date	12/31/2021
Prior measurement date	12/31/2020
Prior year discount rate	2.800%
Projected salary increases	2.00%
Amortization period	20
Percentage participation	100%
NOL and ADC	Calculated using the Alternative Measurement Method in accordance with GASB methodology.
Mortality table	Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.
Turnover assumption	Derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System.

The discount rate used to measure the total OPEB liability was 2.050% and was based on the 20-year tax-exempt municipal bond yield.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period 2008-2013.

**Coastal Water Authority**  
Notes to the Financial Statements

Changes in the total OPEB liability:

	<u>2021</u>
<b>Total Beginning OPEB Liability</b>	\$ 5,402,916
Service Cost	146,143
Interest on Total OPEB Liability	153,102
Effect of Plan Changes	-
Effect of Economic/Demographic Gains or Losses	(931,427)
Effect of Assumptions Changes or Inputs	538,014
Benefit Payments	(163,413)
Employer Contributions	-
Employee Contributions	-
Net Investment Income	-
Administrative Expenses	-
	<u>                    </u>
Net Change in Total OPEB Liability	<u>(257,581)</u>
<b>Total Ending OPEB Liability</b>	<u><u>\$ 5,145,335</u></u>

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.05 percent) or 1-percentage-point higher (3.05 percent) than the current discount rate:

	<u>Discount Rate - 1%</u> 1.050%	<u>Baseline</u> 2.050%	<u>Discount Rate + 1%</u> 3.050%
Total OPEB Liability	\$ 6,020,210	\$ 5,145,335	\$ 4,446,546

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>Medical</u>	<u>Pharmacy</u>	<u>Dental</u>	<u>Vision</u>
	4.900%	5.900%	3.500%	3.000%
	<u>Discount Rate - 1%</u>	<u>Baseline</u>	<u>Discount Rate + 1%</u>	
Total OPEB Liability	\$ 4,398,891	\$ 5,145,335	\$ 6,083,034	

# Coastal Water Authority

## Notes to the Financial Statements

### E. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2021, the Authority recognized OPEB expense of \$(94,168).

Deferred inflows/outflows of resources related to differences between actual and expected experience with regard to economic or demographic factors or changes in assumptions and other inputs should not be used under the Alternative Measurement Method. These items should be recognized in OPEB expense immediately. The difference between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense over a closed 5 year period; the amount not immediately recognized should be reported as deferred inflows and outflows. The Authority's plan does not have OPEB assets in a trust, so deferred inflows and outflows are \$0.

### Note 12. Commitments

#### Lease Commitments

CWA leases its office space and equipment under non-cancelable operating leases. On June 15, 2011 CWA signed a ten (10) year office space lease agreement commencing March 1, 2012 and ending June 30, 2022. On September 8, 2021 CWA signed a new eleven (11) year office space lease agreement commencing July 1, 2022 and ending February 28, 2033. The future minimum lease rental payments under non-cancelable operating leases are as follows:

Year Ending, December 31,	Amount
2022	\$ 144,222
2023	166,413
2024	204,896
2025	211,137
2026	217,377
2027	223,618
2028	229,858
2029	236,099
2030	242,339
2031	248,580
2032	265,221
2033	44,724
<b>Totals</b>	<b>\$ 2,434,484</b>

Total lease expense for the year ended December 31, 2021, including any related taxes and other fees, was \$310,177.

### Note 13. Concentrations

The Trinity River Water Conveyance System and Lake Houston Facilities have one major customer, the City of Houston (the City). Revenues from the City represent approximately 100% of total revenues in the Trinity River Water Conveyance System and Lake Houston Facilities combined. The Red Bluff Water Treatment Plant currently has two customers which represents 100% of revenue. In addition, the Bayport Water System has three major customers. Revenues from these customers represent approximately 88% of total revenues in the Bayport Water System. CWA believes that the possibility of losing any one of these customers is remote.

## **Coastal Water Authority**

### Notes to the Financial Statements

#### **Note 14. Subsequent Events**

Management has evaluated subsequent events through April 13, 2022, the date financial statements were available to be issued. No changes were made, or are necessary to be made, to the financial statements, as a result of this evaluation.

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## Required Supplementary Information

## Coastal Water Authority

### Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios (Unaudited) December 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Beginning OPEB Liability	\$ 5,402,916	\$ 5,331,943	\$ 4,921,560	\$ 4,687,332
Service Cost	146,143	203,689	189,253	368,798
Interest on Total OPEB Liability	153,102	178,290	172,329	125,386
Effect of Plan Changes	-	-	-	-
Effect of Economic/Demographic Gains or Losses	(931,427)	(532,755)	33,961	479,744
Effect of Assumptions Changes or Inputs	538,014	356,032	100,189	(657,800)
Benefit Payments	(163,413)	(134,283)	(85,349)	(81,900)
Employer Contributions	-	-	-	-
Employee Contributions	-	-	-	-
Net Investment Income	-	-	-	-
Administrative Expenses	-	-	-	-
Net Change in Total OPEB Liability	<u>(257,581)</u>	<u>70,973</u>	<u>410,383</u>	<u>234,228</u>
<b>TOTAL ENDING OPEB LIABILITY</b>	<b><u>\$ 5,145,335</u></b>	<b><u>\$ 5,402,916</u></b>	<b><u>\$ 5,331,943</u></b>	<b><u>\$ 4,921,560</u></b>
Covered-employee payroll	7,592,887	7,277,961	7,001,888	6,510,144
Total OPEB Liability as a percentage of covered-employee payroll	68%	74%	76%	76%

There are no assets accumulated in a trust to pay the related benefits to the employees.

\*The amounts presented for the fiscal year were determined as of the Plan's fiscal year end, December 31, 2021. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

## Other Supplementary Information

# Coastal Water Authority

## Schedule I - Schedule of Net Position by System

December 31, 2021

	Luce Bayou Interbasin Transfer Project	Trinity River Water Conveyance System Project	Lake Houston Facilities Project
<b>ASSETS</b>			
Current assets unrestricted:			
Cash and cash equivalents	\$ 215,475	\$ 12,129,161	\$ 660,137
Investments	-	-	-
Receivables:			
Accounts receivable from City of Houston	645,591	3,279,982	2,813,585
Accounts receivable from other customers	-	-	-
Compensable absences current portion	3,862	103,745	13,898
Current portion loan receivable from City of Houston	-	644,209	-
Interfund receivable and payable, net	(51,285)	2,730,883	(2,604,200)
Total current assets unrestricted	813,643	18,887,980	883,420
Current assets restricted:			
Cash and cash equivalents - restricted for contingencies	-	1,858	1,239
Cash and cash equivalents - restricted for debt service	-	4,695,600	-
Cash and cash equivalents - restricted for capital projects	61,776,576	-	-
Investments - restricted for contingencies	-	2,998,295	1,998,863
Investments - restricted for debt service	-	3,647,926	-
Total current assets restricted	61,776,576	11,343,679	2,000,102
Capital assets, net	328,237,676	178,408,130	18,659,951
Other assets:			
Interest receivable from City of Houston	53,143,457	-	-
Obligation for compensable absences	73,383	1,971,153	264,054
Long-term loan receivable from City of Houston	-	14,608,836	-
Total other assets	53,216,840	16,579,989	264,054
Total assets	444,044,735	225,219,778	21,807,527
Deferred outflow of resources	-	63,475	-
<b>LIABILITIES</b>			
Current liabilities unrestricted:			
Accounts payable	110,327	1,705,514	44,715
Retainage payable	-	100,363	-
Compensable absences - current	3,862	103,745	13,898
Total current liabilities unrestricted	114,189	1,909,622	58,613
Current liabilities restricted:			
Accounts payable	134,435	-	-
Retainage payable	2,508,478	-	-
Current portion of bonds payable	3,750,000	4,300,000	-
Bond interest payable	56,373	96,115	-
Total current liabilities restricted	6,449,286	4,396,115	-
Long-term liabilities:			
Bonds payable, net	42,580,000	48,076,693	-
Long-term loans	304,574,000	-	-
Interest payable	53,387,292	-	-
Compensable absences payable	73,383	1,971,153	264,054
Other postemployment benefits	827	3,174,567	715,941
Total long-term liabilities	400,615,502	53,222,413	979,995
Total liabilities	407,178,977	59,528,150	1,038,608
<b>TOTAL NET POSITION</b>	<b>\$ 36,865,758</b>	<b>\$ 165,755,103</b>	<b>\$ 20,768,919</b>

Bayport Water System Project	Red Bluff Water Treatment Plant Project	Totals
\$ 6,991,633	\$ 946,172	\$ 20,942,578
989,648	199,676	1,189,324
-	-	6,739,158
548,202	371,227	919,429
3,510	5,331	130,346
-	-	644,209
(52,176)	(23,222)	-
8,480,817	1,499,184	30,565,044
-	-	3,097
-	-	4,695,600
-	-	61,776,576
-	-	4,997,158
-	-	3,647,926
-	-	75,120,357
11,297,913	3,214,607	539,818,277
-	-	53,143,457
66,682	101,280	2,476,552
-	-	14,608,836
66,682	101,280	70,228,845
19,845,412	4,815,071	715,732,523
-	-	63,475
47,188	34,269	1,942,013
-	-	100,363
3,510	5,331	130,346
50,698	39,600	2,172,722
-	-	134,435
-	-	2,508,478
-	-	8,050,000
-	-	152,488
-	-	10,845,401
-	-	90,656,693
-	-	304,574,000
-	-	53,387,292
66,682	101,280	2,476,552
627,000	627,000	5,145,335
693,682	728,280	456,239,872
744,380	767,880	469,257,995
\$ 19,101,032	\$ 4,047,191	\$ 246,538,003

# Coastal Water Authority

## Schedule II - Schedule of Revenues, Expenses, and Changes in Net Position by System Year Ended December 31, 2021

	<b>Luce Bayou Interbasin Transfer Project</b>	<b>Trinity River Water Conveyance System Project</b>	<b>Lake Houston Facilities Project</b>
<b>OPERATING REVENUES</b>			
Funds provided by City of Houston	\$ 3,388,330	\$ 18,878,792	\$ 2,173,068
Funds provided by San Jacinto River Authority	-	85,725	-
Service revenues	-	-	-
Total operating revenues	<u>3,388,330</u>	<u>18,964,517</u>	<u>2,173,068</u>
<b>OPERATING EXPENSES</b>			
Utilities	640,784	6,012,149	125,215
Field salaries	1,115,472	3,720,210	1,045,047
Administrative	356,258	1,736,810	439,382
General operating	347,073	1,294,340	265,988
Materials and supplies	248,678	2,842,718	94,530
Engineering, legal, and professional	123,012	780,549	37,299
Contract labor and equipment	254,780	4,277,068	585,780
Depreciation expense	449,296	5,472,670	719,098
Total operating expenses	<u>3,535,353</u>	<u>26,136,514</u>	<u>3,312,339</u>
Operating (loss) income	(147,023)	(7,171,997)	(1,139,271)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	11,648	10,036	1,364
Interest income	-	633,314	-
Bond interest expense, net of amortization of bond issues	(1,275,429)	(1,884,344)	-
Gain on sale of capital assets	-	48,487	(3,625)
Loan interest expense	(11,796,276)	-	-
Other income	8,430	1,188,384	73,175
Total nonoperating revenues (expenses)	<u>(13,051,627)</u>	<u>(4,123)</u>	<u>70,914</u>
(Loss) Income before contributions	(13,198,650)	(7,176,120)	(1,068,357)
<b>CONTRIBUTIONS</b>			
Changes in net position	3,488,811	(712,190)	(1,068,357)
Net position - beginning of year	<u>33,376,947</u>	<u>166,467,293</u>	<u>21,837,276</u>
<b>TOTAL NET POSITION - ENDING</b>	<u>\$ 36,865,758</u>	<u>\$ 165,755,103</u>	<u>\$ 20,768,919</u>

Bayport Water System Project	Red Bluff Water Treatment Plant Project	Totals
\$ -	\$ -	\$ 24,440,190
-	-	85,725
2,418,919	1,896,842	4,315,761
<hr/>	<hr/>	<hr/>
2,418,919	1,896,842	28,841,676
34,688	137,957	6,950,793
562,198	474,181	6,917,108
319,326	304,615	3,156,391
190,517	196,942	2,294,860
62,427	317,842	3,566,195
59,839	24,611	1,025,310
263,530	43,791	5,424,949
274,850	101,923	7,017,837
<hr/>	<hr/>	<hr/>
1,767,375	1,601,862	36,353,443
651,544	294,980	(7,511,767)
2,784	225	26,057
-	-	633,314
-	-	(3,159,773)
-	-	44,862
-	-	(11,796,276)
-	-	1,269,989
<hr/>	<hr/>	<hr/>
2,784	225	(12,981,827)
654,328	295,205	(20,493,594)
-	-	23,151,391
<hr/>	<hr/>	<hr/>
654,328	295,205	2,657,797
18,446,704	3,751,986	243,880,206
<hr/>	<hr/>	<hr/>
\$ 19,101,032	\$ 4,047,191	\$ 246,538,003

## Coastal Water Authority

Schedule III - Schedule of Revenues, Expenses, and Changes in Net Position –  
 Budgetary and Actual (Cash Basis) – All Systems (Unaudited)  
 Year Ended December 31, 2021

	<b>Luce Bayou Interbasin Transfer Project</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>OPERATING REVENUES</b>			
Funds provided by City of Houston	\$ 14,332,000	\$ 13,245,588	\$ (1,086,412)
Interest income	150	11,545	11,395
Other Income	-	8,432	8,432
	<u>14,332,150</u>	<u>13,265,565</u>	<u>(1,066,585)</u>
<b>OPERATING EXPENSES</b>			
Utilities	715,000	640,784	74,216
Field salaries	1,605,100	1,087,472	517,628
Administrative	603,600	354,259	249,341
General operating	419,000	383,135	35,865
Materials and supplies	154,900	247,509	(92,609)
Engineering, legal, and professional	68,200	114,065	(45,865)
Contract labor and equipment	142,900	249,843	(106,943)
	<u>3,708,700</u>	<u>3,077,067</u>	<u>631,633</u>
Operating income	10,623,450	10,188,498	(434,952)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Bond interest expense	(1,279,123)	(1,279,124)	(1)
Bond principal retirement	(3,670,000)	(3,670,000)	-
Loan principal expense	(1,252,808)	(1,252,808)	-
Loan interest expense	(4,114,171)	(4,114,172)	(1)
	<u>(10,316,102)</u>	<u>(10,316,104)</u>	<u>(2)</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 307,348</u>	<u>\$ (127,606)</u>	<u>\$ (434,954)</u>

## Coastal Water Authority

Schedule III - Schedule of Revenues, Expenses, and Changes in Net Position –  
 Budgetary and Actual (Cash Basis) – All Systems (Unaudited) – Continued  
 Year Ended December 31, 2021

	<u>Trinity River Water Conveyance System Project</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>OPERATING REVENUES</b>			
Funds provided by City of Houston	\$ 27,308,700	\$ 25,081,138	\$ (2,227,562)
Funds provided by San Jacinto River Authority	150,000	85,725	(64,275)
Interest on investments	2,000	535	(1,465)
Other Income	100,000	1,188,381	1,088,381
	<hr/>	<hr/>	<hr/>
Total operating revenues	27,560,700	26,355,779	(1,204,921)
<b>OPERATING EXPENSES</b>			
Utilities	6,732,500	6,028,779	703,721
Field salaries	3,707,600	3,743,002	(35,402)
Administrative	1,649,900	1,733,813	(83,913)
General operating	1,460,000	1,430,857	29,143
Materials and supplies	2,411,900	2,753,599	(341,699)
Engineering, legal, and professional	539,300	601,019	(61,719)
Contract labor and equipment	4,695,100	4,006,776	688,324
	<hr/>	<hr/>	<hr/>
Total operating expenses	21,196,300	20,297,845	898,455
Operating income	6,364,400	6,057,934	(306,466)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Bond interest expense	(2,339,000)	(2,338,931)	69
Bond principal retirement	(4,125,000)	(4,125,000)	-
Paying agent fees	-	(750)	(750)
	<hr/>	<hr/>	<hr/>
Total nonoperating revenues (expenses)	(6,464,000)	(6,464,681)	(681)
<b>CHANGE IN NET POSITION</b>	<hr/> <b>\$ (99,600)</b>	<hr/> <b>\$ (406,747)</b>	<hr/> <b>\$ (307,147)</b>

## Coastal Water Authority

Schedule III - Schedule of Revenues, Expenses, and Changes in Net Position –  
 Budgetary and Actual (Cash Basis) – All Systems (Unaudited) – Continued  
 Year Ended December 31, 2021

	<b>Lake Houston Facilities Project</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>OPERATING REVENUES</b>			
Funds provided by City of Houston	\$ 2,889,600	\$ 2,225,836	\$ (663,764)
Interest on investments	2,300	1,372	(928)
Other Income	30,000	83,659	53,659
	<hr/>	<hr/>	<hr/>
Total operating revenues	2,921,900	2,310,867	(611,033)
<b>OPERATING EXPENSES</b>			
Utilities	92,400	124,772	(32,372)
Field salaries	1,160,200	1,044,048	116,152
Administrative	498,800	438,381	60,419
General operating	323,100	304,625	18,475
Materials and supplies	210,600	85,112	125,488
Engineering, legal, and professional	99,100	37,299	61,801
Contract labor and equipment	992,700	663,362	329,338
	<hr/>	<hr/>	<hr/>
Total operating expenses	3,376,900	2,697,599	679,301
	<hr/>	<hr/>	<hr/>
Operating loss	(455,000)	(386,732)	68,268
	<hr/>	<hr/>	<hr/>
<b>CHANGE IN NET POSITION</b>	<u>\$ (455,000)</u>	<u>\$ (386,732)</u>	<u>\$ 68,268</u>

## Coastal Water Authority

Schedule III - Schedule of Revenues, Expenses, and Changes in Net Position –  
 Budgetary and Actual (Cash Basis) – All Systems (Unaudited) – Continued  
 Year Ended December 31, 2021

	<b>Bayport Water System Project</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>OPERATING REVENUES</b>			
Interest on investments	\$ 5,000	\$ 2,896	\$ (2,104)
Service revenues	2,356,000	2,388,824	32,824
Total operating revenues	2,361,000	2,391,720	30,720
<b>OPERATING EXPENSES</b>			
Utilities	87,500	40,379	47,121
Field salaries	708,400	562,198	146,202
Administrative	305,300	319,869	(14,569)
General operating	212,600	213,696	(1,096)
Materials and supplies	183,600	95,826	87,774
Engineering, legal, and professional	80,800	56,452	24,348
Contract labor and equipment	237,700	227,928	9,772
Total operating expenses	1,815,900	1,516,348	299,552
Operating income	545,100	875,372	330,272
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Construction program	(4,850,000)	(370,999)	4,479,001
Total nonoperating revenues (expenses)	(4,850,000)	(370,999)	4,479,001
<b>CHANGE IN NET POSITION</b>	<b>\$ (4,304,900)</b>	<b>\$ 504,373</b>	<b>\$ 4,809,273</b>

## Coastal Water Authority

Schedule III - Schedule of Revenues, Expenses, and Changes in Net Position –  
 Budgetary and Actual (Cash Basis) – All Systems (Unaudited) – Continued  
 Year Ended December 31, 2021

	<b>Red Bluff Water Treatment Plant Project</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>OPERATING REVENUES</b>			
Interest on investments	\$ 500	\$ 230	\$ (270)
Service revenues	1,821,000	1,869,407	48,407
<b>Total operating revenues</b>	<b>1,821,500</b>	<b>1,869,637</b>	<b>48,137</b>
<b>OPERATING EXPENSES</b>			
Utilities	158,500	142,426	16,074
Field salaries	620,900	474,739	146,161
Administrative	281,000	305,051	(24,051)
General operating	214,300	387,600	(173,300)
Materials and supplies	413,400	315,551	97,849
Engineering, legal, and professional	64,700	21,362	43,338
Contract labor and equipment	63,400	43,790	19,610
<b>Total operating expenses</b>	<b>1,816,200</b>	<b>1,690,519</b>	<b>125,681</b>
<b>Operating income</b>	<b>5,300</b>	<b>179,118</b>	<b>173,818</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 5,300</b>	<b>\$ 179,118</b>	<b>\$ 173,818</b>